Of course, Ralph passed away a few days ago. Mr. Speaker, Sergeant Ralph Ford, Jr, was an absolute credit to his law enforcement profession, the apple of his wife and family's eyes and a joy to humanity. He shall be sorely missed.

SUBPRIME LENDING

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California (Ms. WATERS) is recognized for 5 minutes.

Ms. WATERS. Mr. Speaker, I want to thank the gentleman from Maryland (Mr. CUMMINGS) for reserving this time tonight to bring to the attention of the American people our deep concern about subprime lending and the rising foreclosure rate across our Nation.

Last week, we learned that the foreclosure rate jumped 47 percent in March of 2007 from just 1 year ago. Several weeks ago, Freddie Mac, which buys loans from lenders and sets underwriting standards, stopped purchasing 2/28 and 3/27 loans, or loans on which interest rates are fixed for only the first 2 years or 3 years of a 30-year loan.

Freddie Mac, recognizing the increase in number of defaults on these exotic loans because of rising rates and falling real estate prices, cut its losses short and got out of the subprime business.

Within the last month, the Nation's second largest subprime lender, New Century Financial Corporation, suspended making any new subprime loans because of the huge number of defaults on subprime mortgage loans and has since filed for bankruptcy protection. Incidentally, the executives of First Century have asked for an exit package of some $6.5 million.

Countrywide, the largest subprime lender in the United States, also has problems with its subprime and prime portfolios.

Numerous subprime lenders have been forced into bankruptcy or have been sold to larger lenders.

General Motors Acceptance Corporation is out of the subprime business altogether. The list continues to grow with each passing day.

Defaults on subprime mortgage loans have prompted investors to turn their backs on mortgage-backed securities, making it more difficult for subprime lenders to sell their loans and to raise the cash for new loans. This has created a liquidity trap for many borrowers who want to refinance out of the nontraditional mortgage products. Huge amounts of cash that once sought the high yields tied to mortgage-backed securities creating easy money for borrowers, many of whom had less than stellar credit, or lacked loan documentation, or sought zero down payment products, is no longer available. No one knows for sure what the extent of the exposure is and exactly who is exposed because the way mortgages are packaged into pools and sold to investors makes it difficult to determine who owns the loans and how much money is lost.

One estimate by Lehman Brothers suggests that approximately $19 billion in losses are parked in loan pools put together in 2005, 2006 and this year, representing 5.5 percent of all mortgages.

The Center for Responsible Lending December 2006 report entitled, ''Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners,'' documents the relationship between subprime lending and foreclosures and suggests that by the end of 2006, 2.2 million households in the subprime market either will have lost their homes to foreclosure or hold subprime mortgages that will fail over the next several years. These foreclosures will cost homeowners as much as $164 billion, primarily in home equity.

One out of five, or 20 percent, of the subprime mortgages originated during the first 2 years will end in foreclosure. So rather than wealth creation that we expect with homeownership, we will witness wealth evaporation tied to foreclosures.

Federal regulators issued guidance last year acknowledging that subprime loans were a problem. The guidance speaks to loans where the rates can change dramatically after the second or third year of the mortgage, such as from 7 percent to 11.5 percent. That guidance suggests that lenders be required to take into account the borrower's ability to make monthly payments at higher rates and also property taxes and homeowners insurance which are often not escrowed in the subprime loans.

I applaud the guidance, but what we really need is for there to be forbearance on the part of lenders while we get this mess straightened out and before it leads to something catastrophic in the financial markets. It has already spilled over into the home building industry, and the fallout is far from over.

Congress must still balance the interest of assisting home buyers who are low- and moderate-income first-time buyers, while ensuring that they avoid the pitfalls of the subprime market and that they have safe options. Providing assistance to existing subprime borrowers who are in danger of losing their homes is key.

I believe that FHA modernization is part of the solution, and so we will mark up H.R. 1852, the Expanding American Homeownership Act of 2007, a bill that I have introduced, next week in the Committee on Financial Services. Reasonable workout plans represent another mechanism that can assist homeowners from falling into foreclosure.

In effect, the lenders know that they are better off not losing these borrowers to foreclosure since it is very costly to the lenders. It only creates a ripple effect in the communities where the properties are located, creating vacancies, blight, arson and other social ills. In addition, the cycle of predatory lending activity continues with investors purchasing foreclosed property at depressed prices only to turn around and sell the properties quickly at inflated prices.

I have asked Freddie to take a look at prohibiting the use of its resources to finance this type of mortgage lending.

A big plus is that Freddie Mac just took proactive steps, announcing that it will make $20 billion available to assist borrowers by the summer with refinancing. Fannie Mae will join this effort. I can not predict what will happen in the subprime lending market, but I do believe that we can stem the tide of foreclosures by working closely with Freddie, Fannie and the lenders. One thing that I do know is that we will have to correct this problem if the markets can not fix it. We can not sit by and watch Americans, many through no fault of their own, lose their homes. Every time there is a victim to foreclosure, the rate of homeownership in American falls and the gap between the rich and the poor worsens. No one wants to reverse the progress that we have made in this country on homeownership, certainly not me.

OUT IN THE COLD: OHIOANS HIT HARDEST BY HOME FORECLOSURES

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Mr. WILSON) is recognized for 5 minutes.

Mr. WILSON of Ohio. Mr. Speaker, being from Ohio and speaking on this issue is really quite easy because Ohio leads the Nation in predatory lending and in foreclosures, an unfortunate statistic that we are not proud of.

As a new Member of Congress and one that has worked very hard in the Ohio House and the Ohio Senate to pass legislation against predatory lending, I feel it a real calling to be one who speaks up strongly here in the Congress on the same type of issue that people are being taken advantage of in a big way.

So, Mr. Speaker, Ohio's working families are paying the price, and in many cases, they are paying with their homes. In fact, Ohio leads the Nation, as I said, in foreclosures.

In my district, Mr. Speaker, in southeastern Ohio, from the suburbs of Youngstown to the small rural communities along the West Virginia and the Kentucky borders, predatory lenders are targeting honest Ohioans who only want one thing: they want a chance to purchase a home of their own and live the American Dream.

For millions who struggle with bad credit, these subprime and adjustable rate mortgages seem like the perfect opportunity to correct their problems. But in reality, when it sets in, it is the worst solution that they could choose.

Rates begin to skyrocket, late fees pile up, and before long it is too late. Too many families are losing their homes to foreclosure. Too many families are being left out in the cold.

The numbers are alarming. These subprime loans account for 63 percent of Ohio's foreclosures.

Mr. Speaker, this is a problem that has spread far beyond Ohio to our